

**OPENING STATEMENT
OF
SENATOR CHARLES E. GRASSLEY, CHAIRMAN
SENATE SPECIAL COMMITTEE ON AGING
March 9, 1998**

Good morning ladies and gentlemen. The Special Committee on Aging of the U.S. Senate will come to order.

I appreciate your being here today. I am especially grateful for the participation of the panelists. Today's witnesses -- all are experts in their fields -- will present important perspectives on meeting the public and private financial challenges of long-term care.

The goal of today's hearing is to raise public awareness about the challenge to every individual's retirement income security posed by long-term care needs.

We will hear first-hand about the realities of providing long-term care. And, we will review public and private initiatives that will make long-term care services more available and more affordable for older Americans.

Congress is starting to address the many challenges that will be present with the retirement of the baby boom generation. However, more attention needs to be given to understanding the ever-increasing challenges posed by a growing demand for long-term care.

Too many seniors and their families already are aware of the emotional hardship and financial devastation that can come with long-term care. It is difficult to pay for long-term care even when one has worked hard and saved for retirement. It's impossible when a family is not prepared.

The retirement of baby boomers will result in substantial increases in the numbers of Americans in retirement as compared to those working. And, there will be increases in longevity. These charts illustrate these two trends.

This means the demand for long-term care services will increase considerably. Public budgets are already under pressure from retirement programs and will probably be unable to meet these needs.

In fact, long-term care expenditures for the elderly are projected to more than double between 1994 and 2004. The next chart illustrates this point. And, we'll hear more about this from the witnesses today.

We must start now if we are going to meet the needs of our parents and grandparents in a way that sustains their health and independence without destroying their financial well-being.

As policy makers, our job is to develop policies for public programs that can deliver efficient and cost-effective services. Equally important is the role of private long-term care financing. We must inform everyone about the importance of planning for potential long-term care needs. And, we must provide incentives for the baby boomer generation to prepare financially.

Consider the challenge. Today's average cost of nursing home care is about \$40,000 a year. Most Americans are not able to pay this cost year after year. When individuals are faced with chronic or disabling condition in retirement, they often quickly exhaust their resources, as well as their family's. As a result, these individuals turn to Medicaid for help.

The care for nearly 2 out of every 3 nursing home residents is paid for by Medicaid. Of these Medicaid covered nursing home patients, more than 25 percent were admitted as private pay residents. More than 50 percent of the nursing home residents who began as private-pay "spend down" their resources and rely on Medicaid after 5 years in a nursing home. The next chart illustrates this point.

So, today we will carefully examine the role of public and private financing for long-term care. This hearing will raise will raise public awareness about the financial risk posed by long-term care. Now is not too soon to prepare to meet the demands that will come when the baby boomer generation retires.